7: Janlekha X-4,5 (1948-1953)p956 AO7 Central Thai AO7
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Problems in the Marketing of Rice

Another factor which has aggravated the basic economic problem of Bangchan lies in the marketing of rice. In order to meet its contract commitments, as well as to obtain control over the price of rice to domestic consumers, the Thai government declared a monopoly on rice export at the end of World War II. This monopoly enabled the government to appropriate a large part of the high prices received for rice exports. Surplus rice had to be sold to the Government Rice Office at prices fixed in baht. Mills were allowed to sell rice for local consumption, but the entire surplus over domestic needs had to be sold to the government, which resold it to foreign buyers. Internal transport of rice and paddy was strictly controlled, and provincial surpluses of milled rice were delivered to warehouses in Bangkok. The government did not control the price of paddy. It merely bought milled rice for export, and the paddy price was determined by the competition of millers and middlemen, the willingness of growers to sell their paddy, and the rice prices paid by the Rice Office.[3]

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Government profits arose in two ways. First, the Rice Office sold rice to shippers for about 20 per cent more than the price it paid to the millers. This trading profit was considerable because both the purchase and sale by the government were paper transactions involving little expense. Second, a potential exchange profit arose from the fact that

3. Ibid., p. 88.

7: Janlekha X-4,5 (1948-1953)p956 AO7 Central Thai AO7
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243 439 655 the export price was expressed in foreign exchange. The Rice Office figured its accounts at the official rate of exchange, and the price in foreign currency was fixed at such a level that even when converted at the official rate the Rice Office could buy rice from millers and still make a 20 per cent profit on the transaction. The foreign exchange proceeds were turned over to the Bank of Thailand. The bank in turn might sell part of the foreign exchange at the official rate, e.g., for certain imports, but it also sold part at the open-market rate of exchange. On this portion it made an additional profit equal to the difference between the two rates. Ingram estimates that for each metric ton of white rice, 15 per cent broken, for which the gross price to miller was 1,306 baht in 1951, the total government profit was 1,304 baht, of which 248 baht was trading profit and 1,056 baht was exchange profit.[4] Another writer estimates that the government's profit from each metric ton of white rice, 5 per cent broken, was 1,650 baht.[5]

243 435 439 655 661 In 1951, the Ministry of Commerce began to issue a number of permits to export rice against commercial contracts. Since the world price of rice was still above the prices fixed in government contracts, exporters were eager to obtain the private permits, and a lively market for

4. Ibid., pp. 89-90.

5. M. R. Anuporn, "Rice and the Thai Government," Prachatipatti, February 5, 1955.

7: Janlekha X-4,5 (1948-1953)p956 AO7 Central Thai AO7
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243 435 439 655 661 permits sprang up. During 1951 the black-market price for such permits reached U. S. $35 per ton. Officials were obtaining permits for export against commercial contract and promptly selling them in the market. A permit for 10,000 tons meant $30,000 even at the low price of $3 per ton, and when the price hit $20-$30, the temptation to bribe the crucial officials was enormous. Millers were eager to get a cut also, and they were reluctant to make rice available unless they got some kind of a premium.[6]

243 439 433 By 1953, however, the world demand for marketable rice began to decline, and it may be said that the rice trade had shifted from sellers' market bo buyers' market. The primary reason for this decline was the recent increase in production in the deficit countries. As a rice exporting country, Thailand was naturally adversely affected. Her position was further aggravated by high production in Burma which offered lower prices in the international market.

243 435 439 655 In recent years, the export prices of Thai rice had been steadily raised. For a ton of white rice, 5 per cent broken, it was £47 5s in 1951, £50 5s in 1952, and £55 5s in 1953. The decline of demand forced the government to lower the export prices by £1 - £5 per ton for the first time in 1954, and finally to virtually abolish its monopoly over the export of rice in 1955.

Thus, rice export has now become "free", but actually under rigid rules and regulations especially with reference

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6. Ingram, op. cit., p. 91.

7: Janlekha X.4,5 (1948-1953)1956 AO7 Central Thai AO7
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243 to the control of foreign exchange. By abolishing its
439 monopoly over rice export the government simply gives up
655 its trading profit but still retains the huge exchange
435 profit.

It is seen that the government had been strengthening its finances and increasing its revenues through the operations of rice monopoly and exchange control, and at the same time the internal prices of rice were kept at a low level. The largest share of the burden has no doubt fallen on the rice farmer, who receives less than one-half of the paddy price he would have received in a really free market. The lively market for export permits and frequent reported incidents of irregularities by crucial officials mean that the difference between the price that the farmer should receive and the price he actually receives has not all gone to the government revenue. This difference, amounting to no less than a billion baht annually, cannot therefore be expected to be channelized back to the farm. The worst part of the system, however, is that in practice there has been a kind of an upper limit without any corresponding lower limit for farm prices of paddy. Thus, while export prices steadily rose, the farm price of paddy in Bangchan was maintained at 900-1,000 baht per ton during the period from 1950 to 1952. When the export price began to decline in 1953, but in fact it was still well over the 1951 level, the Bangchan paddy price dropped abruptly to 600 baht.